

MARICOPA COUNTY SELF-INSURED TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street, Suite 3200
North Conference Room, 3rd Floor, Maricopa County Administration Building
Wednesday, November 14, 2012
Open Meeting Time: 11:00 a.m.

OPEN SESSION

MINUTES

TRUSTEES PRESENT: Susan Strickler, Dan Robledo, Beverly Dupree

TRUSTEES ABSENT: Brad Arnett, Jim Steinkamp

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
Christine Stutz, Mary Ellen Sheppard, Curtia Hunter-Richard

GUESTS: Patricia Cole and Sallee Borneman, Mercer

Curtia Hunter-Richard distributed a presentation folder to each Trustee and Staff present. The folder included the meeting agenda, October 23, 2012 meeting minutes, and financial statements. The following presentations were also distributed:

- 1) Mercer's 2011 National Survey of Employer-Sponsored Health Plans
- 2) FY 2013-14 Employee Benefit Plan Design Recommendations
- 3) Trust Documents Comparison

The Open Session meeting was called to order by Chairperson Strickler at 11:03 A.M. A quorum was present.

Approval of Last Month's Meeting Minutes

Chairperson Strickler called for the approval of the October 23, 2012 meeting minutes. No changes were identified. The motion to approve the minutes was made by Trustee Robledo and seconded by Trustee Dupree. The minutes were unanimously approved.

Presentation and Discussion: Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Statements of Revenues, Expenses, and Changes in Net Assets – YTD as of October 31, 2012
- Statements of Net Assets – October 31, 2012, October 31, 2011, June 30, 2011, and June 30, 2010
- Fund Balance Roll-Forward – Four Months Ended October 31, 2012
- Revenue & Expenses by Fund – Four Months Ended October 31, 2012

The Statements of Revenues, Expenses, and Changes in Net Assets reflect the net margin of \$1,238,000 as a result of operations YTD through October 31, 2012. This YTD surplus sets the Trust Fund in a good position to deal with the anticipated influx of claims which historically increase throughout the winter months.

The cash and cash equivalents have been reduced by \$2 million dollars since 6/30/2012 as a result of the implementation of a new mechanism to pay medical claims as required by the County Treasurer and as approved by the Board of Supervisors. This is an imprest cash fund account managed by Cigna and recorded in prepaid insurance with the balance of \$1.5 million included under Assets.

The questions by Chairperson Strickler in reference to the \$1.5 million prepaid insurance account was addressed and clarified. The funds are in a Cigna catalyst bank account. All deposits to the imprest account for the payment of claims pass through the Treasurer's office. A payment voucher is created by Benefits Finance to ACH (transfer) money from the Treasurer's main account to an outside bank account (controlled by the Treasurer). On Monday of each week, Cigna sweeps sufficient funds from the Treasurer's outside bank account to the Cigna imprest (catalyst) bank account to bring the balance up to \$3,133,000 to cover expected claims that would be paid during the week. The Cigna catalyst account contains funds from multiple organizations to administer the payment of claims for these organizations.

The question by Trustee Robledo in reference to any benefit Cigna may gain from the imprest cash fund account was addressed and clarified. It was confirmed that Cigna benefits from the cash flow and interest of the imprest cash fund account. The County benefits from the new process by saving on wire transfer fees, administrative costs and a reduction of potential errors. Current interest rates are low enough that the advantages for the County balance out the loss of interest income on the cash flow.

The question by Trustee Robledo in reference to the fee to wire funds to Cigna for the payment of claims was addressed and clarified. The fee is \$8 per wire and the County averages two to three wires each morning. The change from using daily wires to utilizing the imprest cash account was made to increase the efficiency of the administrative operation in response to policy issued by the County Treasurer's office.

The questions by Trustee Robledo in reference to who controls the imprest account were addressed and clarified. Cigna controls the catalyst account in which funds are held to pay daily claims. There is an outside bank account that is controlled by Benefits Finance in conjunction with the Treasurer's Office. All bank accounts are controlled by

the Treasurer by statute; money is transferred out of the Treasurer's main account into the Trust Fund outside bank account. Cigna has the ability to sweep the outside bank account to bring their catalyst account up to the \$3 million level.

The question by Trustee Dupree in reference to Cigna's level of control over the County health benefit operations was addressed and clarified. As long as the County is self-insured it is required to have a third party administrator for claims that would need a similar mechanism to pay claims, such as the imprest account. This is a policy established by the County Treasurer's Office in December 2011.

The question by Chairperson Strickler in reference to Cigna's reporting process of claims related to the imprest account level was addressed and clarified. The initial level for the account was set by Cigna at \$3 million and will be reviewed quarterly. The County anticipates the padding level to be reduced based on the quarterly reporting of claims by Cigna.

The question by Chairperson Strickler in reference to the current Cigna contract was addressed and clarified. The imprest account is not covered under the current contract with Cigna. The contract states Cigna is to be reimbursed on a daily basis for claims that have cleared the same day. The County confirmed that the contract does not restrict the review of the process to an annual basis and allows flexibility for the County to review Cigna's process frequently.

The question by Trustee Dupree in reference to the negotiation process that established the imprest account level was addressed and clarified. Cigna set up the facility to manage the account according to policies and procedures they have internally.

The recommendation was made by Chairperson Strickler to ensure the RFP process in the future covers funding which would provide the County more control over the funding process of claims.

Presentation and Discussion: Benchmark Report

Mercer representatives Patricia Cole and Sallee Borneman presented 2011 benchmark survey information reflecting the status of Maricopa County as compared to other similar government employers. Mercer focused on contributions and plan designs of Maricopa County against the benchmarks of approximately 3,000 employers nationally; including 2013 data for the City of Phoenix and State of Arizona. Maricopa County compares extremely well from a contributions perspective at all levels. The following pages were referenced in regards to premium comparisons: pages 8 – 11. The In-network plan designs were also compared, and information was referenced from the following: pages 30, 32, 34, 41, 42, 46, and 51. Mercer indicated that the County plan designs are very competitive or better than other benchmarks for the HMO, PPO, HDHP, and pharmacy benefit plans.

The question by Trustee Robledo in reference to the existence of urgent care coverage in the HMO plan design was addressed and clarified. It was confirmed that there is coverage for urgent care and convenience care clinics with much lower copays than those for emergency room services.

The question by Trustee Dupree in reference to the availability of a summary for each of the benefit plans was addressed and clarified. Per Mercer, overall, Maricopa County provides a better benefits package at a lower cost to employees.

The question by Chairperson Strickler in reference to the biggest driver of low premiums for Maricopa County was addressed and clarified. The contributions (premiums) are approved by the Board of Supervisors based on the philosophy of providing coverage at lower premiums since the County is sensitive to the fact that employees have not received salary increases in the past few years.

The question by Chairperson Strickler in reference to whether the County is getting the same premium equivalent from Cigna as other benchmarked entities was addressed and clarified. The projected overall cost increase for Maricopa County for FY 2013-14 is actually lower than other benchmarked clients of Mercer.

The question by Chairperson Strickler in reference to cost advantages to the County related to the high utilization of Cigna's programs was addressed and clarified. The County's plans are considered unbundled since medical, pharmacy and behavior health plans are each administered by different vendors. Mercer considers Cigna to be very competitive for the County.

Presentation and Discussion: Health and Welfare Benefits for FY14

Chris Bradley presented an overview of the benefits and wellness changes recommended for FY2013-14 along with the premiums needed to support the programs.

The question by Trustee Dupree in reference to the pharmacy cost increases to employees was addressed and clarified. When pharmacy, behavioral health and medical premiums are bundled together, the cost increase averages about 5% for employees.

The question by Chairperson Strickler in reference to specialty medications that impact the pharmacy benefit was addressed and clarified. Mercer maintained that specialty medication increases are related to oncology treatment for cancer, cures for hepatitis C, and cystic fibrosis. Specialty drugs costs have skyrocketed in 2012 and need to be managed properly in pharmacy programs to ensure the right drug gets to the right person for the right amount of time.

The questions by Chairperson Strickler in reference to the prior-authorizations for specialty medications was addressed and clarified. It was confirmed that the pre-

authorizations for specialty medications go through the specialty PBM program with Catamaran. For FY 2013-14 the County is implementing measures to harmonize the Cigna and Catamaran pharmacy plans, especially in anticipation of adjustments to accommodate the Patient Protection and Affordable Care Act requirements (PPACA).

The question by Trustee Dupree in reference to the process used to estimate the PPACA Reinsurance Fee was addressed and clarified. Mercer noted that the federal government issued some target revenue projections of billions of dollars in 2014; which averages out to \$60 per member/per year.

The question by Chairperson Strickler in reference to the Reinsurance Fee as a charge to Third Party Administrators (TPAs) was addressed and clarified. Mercer confirmed that the fee is a direct charge to TPAs and fully insured plans would also have an equivalent Health Plan Fee.

The question by Chairperson Strickler in reference to the current utilization of the bariatric surgery program was addressed and clarified. The participation in the bariatric surgery benefit is lower than anticipated. To date there have been eighteen participants, seven of whom are dependents.

The question by Chairperson Strickler in reference to the existence of step therapy in the Catamaran pharmacy plan was addressed and clarified. It was confirmed that step therapy is included on the Catamaran pharmacy plan.

The question by Chairperson Strickler in reference to the consistent mail order price of the 90-day fills for the Cigna pharmacy plan was addressed and clarified. It was confirmed that on the Cigna side there is mail order pricing available for 90-day fills.

The question by Trustee Dupree in reference to the change in waiting period for Short-Term Disability was addressed and clarified. The Board of Supervisors would have to approve the recommendation to reduce the current three-week waiting period to two weeks for the Short-Term Disability Plan before this change can be implemented (effective July 1, 2013).

Meg Blankenship requested feedback on the proposed FY 2013-14 Employee Benefits Plan design changes from the Trustees by Wednesday, November 21, 2012 in order to move forward with the approval process from the Board of Supervisors.

Presentation and Discussion: Roles and Responsibilities of the Board of Trustees

Chris Bradley presented a comparative analysis of the roles and responsibilities of the Benefits Boards of Trustees for other jurisdictions based on their respective Trust documents. This was an interim report as more information is pending from other jurisdictions.

The question by Trustee Dupree in reference to the availability of Mercer's Benefit Trust Boards national list of clients was addressed and clarified. Mercer agreed to review their current national client list for Benefit Trust Board information and provide it to the County.

Next Meeting

Meg Blankenship asked the Board of Trustees if they still wished to meet in December. The Board opted to not meet in December and meet instead in January, on January 22nd from 11am to 1pm. Chairperson Strickler suggested that the Board may wish to consider meeting quarterly.

Call to Public

Chairperson Strickler made a Call to the Public. No one from the public was present.

Motion to Adjourn

Chairperson Strickler called for a motion to adjourn. The motion to adjourn was made by Trustee Robledo and seconded by Trustee Dupree. The motion passed unanimously.

The meeting was adjourned at 12:45 P.M.